

Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 EUR-12 NEA-10 ISO-00 FEA-01 ERDA-05
AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01
H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
PA-01 PRS-01 SAJ-01 SSM-03 MCT-01 /124 W
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R 240705Z JAN 77

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 6993

INFO AMEMBASSY ABU DHABI

USINT BAGHDAD

AMEMBASSY BONN

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMCONSUL NAPLES

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

C O N F I D E N T I A L SECTION 01 OF 02 JIDDA 0618

C O R R E C T E D C O P Y (FOR SECTION INFO)

E.O. 11652: GDS

TAGS: EGEN, ENRG, EINV, SA

SUBJECT: VIEWSO OF STANDARD OIL COMPANY OF CALIFORNIA

REPRESENTATIVE ON SAUDI OIL POLICY

1. SUMMARY.

IN A BROAD RANGING DISCUSSION WITH DCM AND PRINCIPAL
COMMERCIAL OFFICER, SENIOR SOCAL REPRESENTATIVES GAVE
VIEWS ON RECENT OIL PRICE INCREASES, MARKETING
MECHANICS, POLITICAL IMPLICATIONS AND THE STATUS OF
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ARAMCO TAKE-OVER NEGOTIATIONS BY SAG. ALSO MENTIONED
WERE INTERESTING OBSERVATIONS REGARDING REACTION OF
ARAMCO PERSONNEL TO IMPENDING CHANGE OF OWNERS, AS WELL
AS OPINIONS AND ESTIMATES ABOUT SHORT-TERM OIL LIFTINGS
FROM RAS TANURA AND FUTURE PRICE STRUCTURES. END
SUMMARY.

2. MR. JONES MCQUINN, VP, SOCAL, ACCOMPANIED BY RIYADH BASED COMPANY REPRESENTATIVE HUGH RENFRO, CALLED ON EMBASSY ON SHORT NOTICE JANUARY 17, 1977, FOR DISCUSSION ON RECENT OIL DEVELOPMENTS. CONFIRMING THAT 10 PERCENT OIL PRICE INCREASE BY OPEC MEMBERS OTHER THAN SAG AND EMIRATES WILL BE BASED ON PRE-INCREASE PRICE OF ARABIAN LIGHT MARKER CRUDE, MCQUINN STATED THAT TWO-TIERED PRICING SYSTEM IS ALMOST IMPOSSIBLE FOR MARKETING COMPANIES. HE BELIEVES THAT PRICE FOR SAUDI OIL WILL INCREASE IN JUNE TO THE 10 PERCENT AS A TRADE-OFF FOR OTHER OPEC MEMBERS FOREGOING FURTHER 5 PERCENT INCREASE AS PLANNED AT DOHA. IN REPLY TO OUR INQUIRY AS TO METHODS SAUDIS WILL USE TO CONTROL THEIR 5 PERCENT INCREASE, HE STATED THAT THERE WAS NO WAY THAT SAG COULD CONTROL DOWNSTREAM PRICES AFTER CRUDE IMPORTS EFFECTED BY CONSUMER COUNTRIES.

3. RE POLITICAL IMPLICATIONS OF SAUDI POLICY, MCQUINN STATED IT WAS HIS COMPANY'S FIRM BELIEF THAT SAME ATMOSPHERE PREVAILS HERE AS IN LATE 1973 WHEN SAUDIS EFFECTED BOYCOTT. HE JUDGES THAT SAUDIS HAVE KEPT PRICES DOWN BECAUSE THEY WANT POSITIVE U.S. EFFORTS TOWARDS A MID-EAST PEACE SETTLEMENT. HE EXPRESSED CONCERN THAT U.S. POLITICAL CIRCLES SHOW NO COMPREHENSION OF POTENTIAL GRAVITY OF SITUATION. THIS THEME CONSTANTLY REPEATED AND HE STATED THAT U.S. PUBLIC AND OFFICIALS SIMPLY NOT LISTENING TO WARNINGS BY OIL INDUSTRY THAT DANGEROUS SITUATION IS DEVELOPING VIS-A-VIS SAUDI ARABIA.

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4. RE ARAMCO TAKE-OVER NEGOTIATIONS, MCQUINN CONFIRMED THAT NOTHING HAD BEEN SIGNED EVEN FOR THE 60 PERCENT TAKE-OVER IN EARLY 1973. REFERRING TO ORIGINAL TAKE-OVER PLANS OF 51 PERCENT OWNERSHIP BY SAG IN 1981, MCQUINN OBSERVED THAT SAG ANNOUNCEMENT FOR THE 60 PERCENT TAKE-OVER WAS FOR POLITICAL REASONS TO STEM CRITICISM BY RADICAL ARAB OIL PRODUCERS. HE NOTED THAT SINCE MARCH 1976, ALL TAKE-OVER TERMS HAD BEEN AGREED TO BY ARAMCO PRINCIPALS AND SAG EXCEPT FOR SMALL DETAILS, UNSPECIFIED, THAT COULD BE WORKED OUT LATER. TO DATE, PRINCIPAL STUMBLING BLOCK TO FULL TAKE-OVER IS POLITICAL.

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R 240705Z JAN 77
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5. A SIGNIFICANT PROBLEM IN TAKE-OVER, HOWEVER, ACCORDING TO MCQUINN WAS WHETHER ARAMCO WOULD CONTINUE AS DELAWARE CORPORATION. ORIGINALLY NOT A PROBLEM, THIS ASPECT NOW UNACCEPTABLE TO SAUDIS BECAUSE COMPANY WOULD HAVE TO CONFORM TO BOYCOTT AND OTHER U.S. REGULATIONS INCOMPATIBLE WITH SAUDI SOVEREIGNTY.

6. IN REPLY TO OUR INQUIRY REGARDING ATTITUDES OF U.S. ARAMCO EMPLOYEES TOWARD FULL SAG TAKE-OVER, MCQUINN STATED THAT THERE WAS SOME APPREHENSION IN THIS REGARD.
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HE CONFIDED, HOWEVER, THAT THE MOST CONCERNED ARAMCONS WERE THE HIGHER ECHELON SAUDIS WHO FEAR THEY WILL HAVE LESS FREEDOM OF ACTION AFTER FULL SAUDI CONTROL.

7. LIFTINGS. MR. MCQUINN FELT THAT SHORT-TERM LIFTINGS WOULD DROP FROM PRE-DECEMBER PEAKS BECAUSE OF STOCKPILING. HE STATED, HOWEVER, THAT EARLY JANUARY DECLINE WAS

ATTRIBUTABLE TO STORMY WEATHER CONDITIONS AND SOME
DAMAGE AT RAS TANURA.

8. IN DEPARING, MR. MCQUINN REITERATED THAT U.S. HAS
TO RESPOND WITHIN SIX MONTHS TO SAUDI PRICE HOLDING
OVERTURES WITH SOME POSITIVE STEP TOWARD PEACE-MAKING
EFFORT TO SHOW WHERE WE STAND VIS-A-VIS SAG MODERATION.

9. COMMENT. THE RESULTS OF MCQUINN'S MEETINGS IN
RIYADH WITH SAUDI OFFICIALS INDICATED HE HAD GOTTEN
THE TREATMENT. NEVERTHELESS, THE MESSAGE IS THERE AND
WE WOULD BE REMISS TO IGNORE THE IMPLICATIONS. WITH
REGARD TO THE ARAMCO EMPLOYEE SITUATION, WE HAVE HEARD
THAT SOME OF THE U.S. PERSONNEL ARE CONSIDERING RESIG-
NATION, PARTICULARLY OLDER LONG-TIME EMPLOYEES WHO FEEL
THAT THEIR WAY OF LIFE WILL BE FINISHED.
PORTER

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Message Attributes

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TAGS: EGEN, ENRG, EINV, SA, OPEC, ARAMCO, STANDARD OIL OF CALIFORNIA, STANDARD OIL CO, (MCQUINN, JONES)
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